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PARKSON RETAIL GROUP LIMITED

百盛商業集團有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 3368)

**DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF 49% INTEREST IN ANSHAN PARKSON AND
100% INTEREST IN THE ANSHAN PROPERTIES**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



A letter from the Independent Board Committee is set out on page 16 of this circular. A letter from Access Capital, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 28 of this circular.

CONTENTS

	<i>Page</i>
DEFINITIONS	1-5
LETTER FROM THE BOARD	6-15
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	16
LETTER FROM ACCESS CAPITAL	17-28
APPENDIX I — PROPERTY VALUATION REPORT	29-33
APPENDIX II — GENERAL INFORMATION	34-43

DEFINITIONS

In this circular, the following expressions have the meanings set out below unless the context otherwise requires:

“49% Interest in Anshan Parkson”	the 49% equity interest in Anshan Parkson held indirectly by Creation International through its 100% subsidiary, Creation (Hong Kong)
“Acquisitions”	the transactions contemplated under the Sale and Purchase Agreement, including but not limited to the 49% Interest in Anshan Parkson and the 100% interest in Anshan Properties
“Anshan BOC Bank Debts”	the outstanding debts of approximately RMB66,000,000 payable by Anshan Tianxing to the Bank of China, Anshan branch
“Anshan Commercial Bank Debts”	the outstanding debts of approximately RMB60,000,000 payable by Anshan Tianxing to Anshan City Commercial Bank Shares Co. Ltd
“Anshan Commercial Bank Mortgage”	the existing mortgage of the first and second floor of Anshan Properties against the Anshan Commercial Bank Debts
“Anshan Parkson”	Anshan Tianxing Parkson Shopping Centre Company Limited, a Sino Foreign Equity Joint Venture cooperation established in accordance with the laws of the PRC, and are being held as to 49% by Creation (Hong Kong) and as to 51% indirectly by the Company. Anshan Parkson currently leases the entire basement level, part of level 1 & 2 and the entire level 3 to 6 of the Anshan Properties for a department store operation
“Anshan Parkson Debts”	the outstanding debts of approximately RMB65,900,000 owing by Anshan Tianxing to Anshan Parkson
“Anshan Properties”	the land use right and property use right in respect of the property located at No. 88 Er Dao Street, Tie Dong District, Anshan City, Liaoning Province, PRC
“Anshan Tianxing”	Anshan Tianxing International Properties Development Co, Ltd, a sino-foreign equity joint venture enterprise established under the law of the PRC on 8 November 1999, Anshan Tianxing is the existing owner of the Anshan Properties and the landlord to Anshan Parkson
“associate(s)”	has the meaning ascribed to it in the Listing Rules

DEFINITIONS

“Beijing Parkson”	Parkson Retail Development Co., Ltd., a sino-foreign equity joint venture enterprise established under the laws of the PRC, and a wholly owned indirect subsidiary of the Company, which is owned as to 42% by Parkson Investment, as to 14% by Rosenblum and 44% by Parkson Investment Holding
“Board”	the board of Directors
“Business Day”	means a day (other than a Saturday) when banks are open for business in Hong Kong
“Creation (Hong Kong)”	Creation (Hong Kong) Investment & Development Limited, a company incorporated under the laws of Hong Kong with limited liability on 3 May 2006
“Creation International”	Creation International Investment & Development Limited, a company incorporated under the laws of the British Virgin Island with limited liability on 8 August 2006
“Company”	Parkson Retail Group Limited, a company incorporated under the laws of the Cayman Islands with limited liability on 3 August 2005
“Company Approvals”	All relevant approvals required under the Listing Rules (including but not limited to the shareholders’ approval or other equivalent approvals) with respect to the Acquisitions
“Creation Completion Documents”	Documents needed for vesting the legal and beneficial interest of the entire issued share capital of Creation International in favour of the Purchaser
“Creation International Long Stop Date”	60 days from the date of the signing of the Sale and Purchase Agreement
“Connected Person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Escrow Account”	the bank account designated in writing by the Vendor, the Purchaser and the Escrow Agent for the safe keeping of the Escrow Amount
“Escrow Agent”	BNP Paribas (Hong Kong Branch)
“Escrow Amount”	the equivalent in HKD of RMB125,900,000 to be held in escrow by the Escrow Agent pursuant to an escrow agreement to be entered into among the Vendor, the Purchaser and the Escrow Agent pursuant to the terms of the Acquisitions

DEFINITIONS

“Entrusted Loan Bank”	China Merchant Bank (Beijing Wanda Plaza branch)
“Entrusted Loan”	the principal amount of RMB125,900,000 to be made available to Anshan Tianxing by Beijing Parkson pursuant to the Entrusted Loan Agreement for the sole purpose of repayment of the Anshan Parkson Debts, the Anshan Commercial Bank Debts and the subsequent discharge of the Anshan Commercial Bank Mortgage
“Entrusted Loan Agreement”	the loan agreements to be entered into between the Entrusted Loan Bank, Beijing Parkson and Anshan Tianxing, whereby Beijing Parkson will procure that the Entrusted Loan Bank shall grant and Anshan Tianxing shall accept the Entrusted Loan
“Equity Transfer Certificate”	Certificate issued by the local Foreign Exchange Control Department where Anshan Tianxing is situated confirming the receipt in full by Anshan Tianxing from Creation (Hong Kong) of the consideration for the 49% Interest in Anshan Parkson.
“Group”	the Company, its subsidiaries, jointly controlled entities and associated company
“HKD”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	a board committee of the Company comprising all the independent non-executive Directors, namely Mr. Yau Ming Kim, Robert, Mr. Studer Werner Josef and Mr. Ko Tak Fai, Desmond, who are not interested in the Acquisitions
“Independent Shareholder(s)”	Shareholders other than persons who are required to abstain from voting on the resolution to approve the Acquisitions
“Latest Practicable Date”	10 May 2007
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Lung Shing International”	Lung Shing International Investment & Development Company Limited, a private limited company established under the laws of British Virgin Islands on the 1 August 2006
“Lung Shing International Long Stop Date”	120 days from the date of the signing of the Sale and Purchase Agreement

DEFINITIONS

“Lung Shing Investment”	Lung Shing Investment & Development Company Limited, a private limited company duly incorporated in Hong Kong
“Lung Shing Property”	Anshan Lung Shing Property Services Limited, a company with limited liabilities duly established on 11 January 2007 under the laws of the PRC as a wholly foreign owned enterprise
“Parkson Investment”	Parkson Investment Pte. Ltd., a private company limited by shares incorporated under the Companies Act (Chapter 50 of the Statutes of the Republic of Singapore) and an indirect wholly-owned subsidiary of the Company
“Parkson Investment Holdings”	Parkson Investment Holdings Co. Ltd., a wholly foreign-owned enterprise established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China
“Purchaser”	Grand Parkson Retail Group Limited, a 100% direct subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Rosenblum”	Rosenblum Investments Pte. Ltd., a private company limited by shares incorporated under the Companies Act (Chapter 50 of the Statutes of the Republic of Singapore) and an indirect wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the sale and purchase agreements dated 20 April 2007 entered into between the Purchaser and the Vendor
“Sale Property Completion”	Completion on the acquisition of the Anshan Properties, being part of the Acquisitions
“Sale Equity Completion”	Completion on the acquisition of the 49% Interest in Anshan Parkson, being part of the Acquisitions
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of the Company with a nominal value of HK\$0.10 each
“Shareholder(s)”	the holder(s) of the Share(s)
“Share Mortgage Documents”	Documents pertaining to the mortgage of the entire Creation International’s shares executed by the Vendor in favour of the Purchaser

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it in section 2 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Valuer”	Vigers Appraisal & Consulting Limited, 10th Floor, The Grande Building, 398 Kwun Tong Road, Kowloon, Hong Kong, an International Assets Appraisal Consultants
“Vendor”	Li Zhong Yong
“%”	per cent



PARKSON RETAIL GROUP LIMITED

百盛商業集團有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 3368)

Executive Directors:

Mr. Cheng Yoong Choong

Mr. Chew Fook Seng

Non-executive Director:

Tan Sri Cheng Heng Jem

Independent non-executive Directors:

Mr. Studer Werner Josef

Mr. Yau Ming Kim, Robert

Mr. Ko Tak Fai, Desmond

Registered office:

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Hong Kong

15 May 2007

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF 49% INTEREST IN ANSHAN PARKSON AND
100% INTEREST IN THE ANSHAN PROPERTIES**

INTRODUCTION

On 23 April 2007, the Company announced that it has agreed to acquire, indirectly, the 49% Interest in Anshan Parkson (the remaining 51% of which is currently owned indirectly by the Company) and the 100% interest in the Anshan Properties, from the Vendor.

As at the date of the Sale and Purchase Agreement and the Latest Practicable Date, the Vendor is the legal and beneficial owner of the entire issued share capital in Creation International which is the sole and beneficial owner of all the issued share capital in Creation (Hong Kong), which in turn is the sole and beneficial owner of the 49% Interest in Anshan Parkson, which is a subsidiary of the Company, and therefore the Vendor is a Connected Person of the Company for the purpose of Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

As the relevant percentage ratio calculation for the Acquisitions exceeds 5.0% and 2.5% pursuant to Chapters 14 and 14A of the Listing Rules respectively, the Acquisitions constitute a discloseable and connected transaction for the Company which is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

The Company has, however, applied for a waiver pursuant to Rule 14A.43 of the Listing Rules under which written Independent Shareholders' approval may be accepted in lieu of holding a general meeting on the basis that (1) there are no Shareholders who are required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisitions and (2) the written approval from PRG Corporation Limited, which holds 306,360,000 Shares representing approximately 55.46% (as at 13 April 2007) in nominal value of the securities of the Company giving the right to attend and vote at the general meeting, approving the Acquisitions was obtained on 20th April 2007.

The Acquisition constitutes a discloseable and connected transaction under Chapters 14 and 14A of the Listing Rules. This circular contains details of the Acquisition required to be disclosed under the Listing Rules.

THE SALE AND PURCHASE AGREEMENT

Date

20 April, 2007

Parties

Vendor: Li Zhong Yong

Purchaser: Grand Parkson Retail Group Limited

The Acquisitions

Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to sell and the Purchaser has through a wholly-owned subsidiary agreed to purchase the entire issued share capital in Creation International and Lung Shing International. Creation International is the sole legal and beneficial owner of the entire issued share capital of Creation (Hong Kong), which in turn is the sole legal and beneficial owner of the 49% Interest in Anshan Parkson. Lung Shing International will be the sole legal and beneficial owner of the equity interest in Lung Shing Property which in turn will be the sole legal and beneficial owner of the Anshan Properties on or before the date of the Sale Property Completion. Anshan Parkson owns and operates the Anshan Parkson Store in Anshan City in the Liaoning Province of the PRC.

LETTER FROM THE BOARD

CONSIDERATION AND CONDITIONS FOR THE 49% INTEREST IN ANSHAN PARKSON

Consideration

The consideration for the 49% Interest in Anshan Parkson is RMB280,000,000 which shall be paid as follows:

- (a) the Purchaser shall pay the Vendor in cash as a deposit, amounting to the sum of RMB21,330,000 within 1 Business Day from the date of signing of the Sale and Purchase Agreement by telegraphic transfer pursuant to the terms of the Sale and Purchase Agreement in exchange for the Vendor's delivery of the Creation Completion Documents for the 49% Interest in Anshan Parkson and the Share Mortgage Documents to the Purchaser on the same day;
- (b) within 7 Business Days from the date of the Vendor producing the Equity Transfer Certificate for the 49% Interest in Anshan Parkson, the Purchaser shall procure Beijing Parkson to release the Entrusted Loan to Anshan Tianxing. The Entrusted Loan amount shall be utilised by Anshan Tianxing for the full settlement of the Anshan Parkson Debts and the full settlement of the Anshan Commercial Bank Debts in order to discharge the mortgage created over the 5th and 6th floors of the Anshan Properties and the Anshan Commercial Bank Mortgage, the latter is a condition to the Sale Equity Completion;
- (c) on the same day when the Entrusted Loan is released in favour of Anshan Tianxing, the Purchaser shall deposit the Escrow Amount into the Escrow Account as the second installment payment of the consideration;
- (d) within 3 Business Days from the fulfilment of the conditions to the Sale Equity Completion, the Purchaser will release to the Vendor in cash by way of telegraphic transfer the final installment of the consideration, in the amount of RMB132,770,000 for the Sale Equity Completion.

Within 30 days from the date of Sale Equity Completion, the Vendor shall procure the full settlement of the Entrusted Loan and the Purchaser shall within 3 Business Days after the full settlement of the Entrusted Loan procure the release of the Escrow Amount in the Escrow Account in favour of the Vendor.

The Directors confirm that the payment and obligations described in (a) to (c) above have been made and fulfilled as at the date of this circular.

The Directors considered that the consideration for the 49% Interest in Anshan Parkson reflects normal commercial terms which were arrived at after arm's-length negotiations between the Vendor and the Purchaser, with reference to the valuation carried out by the Valuer appointed by the Purchaser which value the 49% Interest in Anshan Parkson at RMB300,000,000 based on the direct comparison valuation method. The total consideration shall be paid in HKD equivalent of RMB based on the middle rate published by the People's Bank of China for the conversion of RMB to HKD, on the respective dates of payment.

LETTER FROM THE BOARD

Conditions Precedent

The Sale Equity Completion is subject to the satisfaction of the following conditions:

- (a) the obtaining by the Company of the Company Approvals;
- (b) the obtaining by the Vendor the Equity Transfer Certificate for the 49% Interest in Anshan Parkson;
- (c) the complete discharge of the Anshan Commercial Bank Mortgage procured by the Vendor;
- (d) the full repayment of the Anshan Parkson Debts procured by the Vendor; and
- (e) each of the warranties provided by the Vendor in the Sale and Purchase Agreement remaining true and accurate in all material respects.

As at the date of this circular the matters set out in (b) above have been completed.

Termination Rights

In the event that any or all of the abovementioned conditions cannot be fulfilled before the Creation International Long Stop Date, the Purchaser is entitled to either:

- (a) extend the Creation International Long Stop Date; or
- (b) waive any or all of the aforesaid conditions and proceed to complete the acquisition of the 49% Interest in Anshan Parkson; or
- (c) terminate the Sale and Purchase Agreement in which case, the Vendor shall refund/return all monies paid by the Purchaser under the Sale and Purchase Agreement to the Purchaser and the Purchaser shall be entitled to the return of the Escrow Amount from the Escrow Agent. If the Entrusted Loan has been released and has yet to be repaid in full, the Share Mortgage Documents shall take effect and the Purchaser is entitled to enforce the security created therewith. Thereafter, either party shall have no further obligations or claims against each other under the Sale and Purchase Agreement with regard to the acquisition of the 49% Interest in Anshan Parkson, save for any antecedent breach.

CONSIDERATION AND CONDITIONS FOR THE 100% INTEREST IN ANSHAN PROPERTIES

Consideration

The consideration for the Anshan Properties is RMB450,000,000 which shall be paid on Sale Property Completion as follow:

- (a) Lung Shing Property shall take over from Anshan Tianxing the entire RMB66,000,000 Anshan BOC Bank Debts of which in this respect, the said RMB66,000,000 shall form part of the consideration for the Anshan Properties and shall be deducted therefrom; and

LETTER FROM THE BOARD

- (b) the Purchaser will release to the Vendor by way of telegraphic transfer in HKD equivalent of the balance of the consideration amounting to RMB384,000,000. The exchange rate to be used will be the middle rate published by the People's Bank of China for the conversion of RMB to HKD on the date of payment.

Anshan Properties consist of the entire land use right and property use right for a total gross floor area of approximately 42,574 square meter located at No. 88 Er Dao Street, Tie Dong District, Anshan City, Liaoning Province, PRC. Anshan Tianxing is the current owner of the Anshan Properties. Subject to the completion of the reorganisation of Anshan Tianxing, Lung Shing Property which is solely owned by Lung Shing International, will be the sole legal and beneficial owner of the Anshan Properties and the Vendor will be the sole legal and beneficial owner of Lung Shing Property through his direct interest in Lung Shing International.

The Directors consider that the consideration for the Anshan Properties reflects normal commercial terms which were arrived at after arm's-length negotiations between the Vendor and the Purchaser, with reference to the valuation carried out by the Valuer appointed by the Purchaser which value the Anshan Properties at RMB452,000,000 based on the direct comparison valuation method. The valuation methodology and assumption have been discussed and critically assessed by the Executive Directors.

The Anshan Properties was purchased by the Vendor in the year 2000 at an original purchase cost of approximately RMB240,000,000.

Conditions Precedent

The Sale Property Completion is subject to the satisfaction of the following conditions:

- (a) the completion of due diligence review on Lung Shing International, Lung Shing Property and the Anshan Properties as well as the issuance of legal opinion by a qualified PRC Lawyer in respect thereof to the satisfaction of the Purchaser within 10 Business Days upon the fulfilment of conditions (b) to (f), (h) and (i) stated below;
- (b) the obtaining by the Company of the Company Approvals;
- (c) the completion of the transfer of all property use rights, land use rights and the legal ownership of the Anshan Properties from Anshan Tianxing to Lung Shing Property;
- (d) the completion of the transfer of the entire registered capital of Lung Shing Property to Lung Shing International including but not limited to:
- 1) obtaining the certificates of approval issued by the Ministry of Commerce and other local authorities for the transfer of 100% equity interest in Lung Shing Property to Lung Shing International;
 - 2) obtaining the certificate from the State Administration of Foreign Exchange of the PRC or its local subordinate bodies evidencing the completion of the registration process for the transfer of 100% equity interest in Lung Shing Property to Lung Shing International with endorsement stating that Lung Shing International is the sole legal owner of the shares in Lung Shing Property;

LETTER FROM THE BOARD

- (e) Lung Shing International has fully settled all consideration payable in respect of the transfer of the entire equity interest in Lung Shing Property;
- (f) the completion of the takeover of the RMB66,000,000 Anshan BOC Bank Debts by Lung Shing Property evidenced by the execution of the relevant novation agreement between Lung Shing Property, Anshan Tianxing and Bank of China (Anshan branch);
- (g) each of the warranties provided by the Vendor in the Sale and Purchase Agreement remaining true and accurate in all material respects;
- (h) the entering into of a novation agreement by all tenants of Anshan Properties approving the substitution of Lung Shing Property as the new landlord of Anshan Properties; and
- (i) the Sale Equity Completion and the full settlement of the Entrusted Loan.

As at the date of this circular none of the matters set out above have been completed.

Termination Rights

If any or all of the abovementioned conditions cannot be fulfilled prior to the Lung Shing International Long Stop Date, the Purchaser is entitled to either:

- (a) extend the Lung Shing International Long Stop Date; or
- (b) waive any or all of the aforesaid conditions and proceed to complete the acquisition of the Anshan Properties; or
- (c) terminate the Sale and Purchase Agreement. Thereafter, either party shall have no further obligations or claims against the other under the Sale and Purchase Agreement with regard to the acquisition of the Anshan Properties.

The Vendor and the Purchaser have agreed that irrespective of whether the conditions for the acquisition of the Anshan Properties have been fully satisfied, if all the conditions for the acquisition of Anshan Parkson has been duly fulfilled, the parties shall proceed to complete the acquisition of Anshan Parkson in accordance with the Sale and Purchase Agreement.

INFORMATION ON THE VENDOR

The Vendor, Li Zhong Yong is the legal and beneficial owner of the entire issued share capital of Creation International and Lung Shing International. Creation International is the sole legal and beneficial owner of the equity interest in Creation (Hong Kong), which in turn is the sole legal and beneficial owner of the 49% Interest in Anshan Parkson. Lung Shing International will be the sole legal and beneficial owner of the equity interest in Lung Shing Property which in turn will be the sole legal and beneficial owner of the Anshan Properties on or before the date of Sale Property Completion. The Vendor is also the sole legal and beneficial owner of Anshan Tianxing, the existing owner of the Anshan Properties and the landlord to Anshan Parkson. The Vendor is principally engaged in the business of property development and investment.

LETTER FROM THE BOARD

Pursuant to the terms of the Sale and Purchase Agreement, the Vendor undertakes to the Purchaser that he will not and procure that none of his associates will, for a period of 2 years from the date of completion of the Acquisitions, engage directly or indirectly in or carry out the business of department store and retail within the Anshan City of the PRC.

The Company and its subsidiaries have not entered into any transaction with the Vendor or his related parties in the 12 months period preceding the date of the Sale and Purchase Agreement.

INFORMATION ON THE COMPANY, THE PURCHASER AND BEIJING PARKSON

The Company and its subsidiaries are principally engaged in the operation of 38 department stores and two supercentres situated in prime locations in 27 cities in the PRC. The Group offers a wide range of merchandise in those department stores and supercentres, including fashion and apparel, cosmetics and accessories, household, electrical goods and groceries.

The Purchaser, Grand Parkson Retail Group Limited, is a 100% direct subsidiary of the Company primary acting as an investment holding company to invest in the department store business in the PRC.

HISTORICAL FINANCIAL INFORMATION ABOUT ANSHAN PARKSON

Anshan Parkson, a 51% indirect subsidiary of the Company, is the owner and operator of the Parkson department store located at the entire basement level, part of the level 1 and level 2 and the entire level 3 to level 6 of the Anshan Properties, No.88 Er Dao Street, Tie Dong District of Anshan City in Liaoning Province.

Set out below is the historical financial information about Anshan Parkson for each of the 3 years ended 31 December 2004, 2005 and 2006 prepared and audited under PRC generally accepted accounting principles:

	Year ended 31 December 2004	Year ended 31 December 2005	Year ended 31 December 2006
<i>(in RMB '000)</i>	<i>(in RMB'000)</i>	<i>(in RMB'000)</i>	<i>(in RMB'000)</i>
Gross sales proceeds ⁽¹⁾	273,513	389,136	507,530
Operating revenues ⁽²⁾	94,836	130,560	163,495
Net profit before tax	12,186	30,684	48,180
Net profit after tax	8,143	20,741	32,221
Total assets	126,034	167,396	179,865
Net asset value	18,631	31,985	23,328

(1) "Gross sales proceeds" includes the direct sales, gross sales proceeds from concessionaire sales, rental income and other operating revenues

LETTER FROM THE BOARD

- (2) “Operating revenues” includes the direct sales, commission from concessionaire sales, rental income and other operating revenues. Gross sales proceeds from concessionaire sales are not recognised. Operating revenues need not be included in the audit report issued under the PRC generally accepted accounting principles, the numbers were extracted from the management accounts prepared under the PRC generally accepted accounting principles

HISTORICAL FINANCIAL INFORMATION OF THE ANSHAN PROPERTIES

As both Lung Shing International and Lung Shing Property are special purpose vehicle set up by the Vendor to purchase the Anshan Properties from Anshan Tianxing, no historical financial information of the companies are available as at the date of this circular. However, based on the information provided by Anshan Tianxing, the Anshan Properties generated total rental income of approximately RMB25,000,000 for the financial year ended 31 December 2006 of which approximately RMB16,800,000 was paid by Anshan Parkson and the balance was paid by other tenants of Anshan Properties. The property valuation report on Anshan Properties is set out in Appendix I of this circular.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Anshan Parkson store is the flagship store for the Company in the North East region of the PRC market and one of the major contributors in terms of revenues and profits to the Group. The Anshan Parkson store is strategically located in the Anshan city, one of the major cities in the Liaoning Province. Accordingly, the Board considered that Anshan Parkson, as a wholly-owned subsidiary of the Company, would immediately enhance the growth and profitability of the Group and allow for greater efficiency and speed in the implementation of its business expansion plan.

Certain prime floor space on the ground floor and the first floor of the Anshan Properties is now being leased out directly by the Vendor to external tenants. It is the intention of the Company that such floor space will be utilised for the department store operation of Anshan Parkson upon the expiry of the existing lease agreement with the external tenants. Moreover, as a flagship store in the North East region, the Company intends to use the Anshan Parkson store as the platform to further expand the Group’s businesses in this region of the PRC market. Accordingly, the Board considered that owning the Anshan Properties will provide the Group more certainty on the continuity of the business and provide the Group more flexibility in renovating and reinventing the Anshan Parkson store. The Board considered that the above would be in line with the Group’s expansion plans and would complement its long-term growth strategy.

The Directors (including the independent non-executive Directors) believe that the terms of the Acquisitions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

DISCLOSEABLE AND CONNECTED TRANSACTION

As the Vendor, is a substantial shareholder of Anshan Parkson, which is a 51% indirect subsidiary of the Company, the Vendor is a Connected Person of the Company for the purposes of Chapter 14A of the Listing Rules. Accordingly, the Acquisitions constitute a connected transaction for the Company

LETTER FROM THE BOARD

under the Listing Rules. As the applicable percentage ratios under Rule 14.07 of the Listing Rules calculated in respect of the aggregated value of the Acquisitions exceeded the threshold for exemption under Rule 14A.32, the Acquisitions are subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Vendor or his associates, hold any Share(s) in the Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Shareholders or their respective associates has any interest in the transactions which is different from other Shareholders. The Company has applied to the Stock Exchange for a waiver pursuant to Rule 14A.43 of the Listing Rules under which a written Independent Shareholders' approval may be accepted in lieu of holding a general meeting on the basis that (1) there are no Shareholders who are required to abstain from voting if the Company was to convene a general meeting for the approval of the Acquisitions and (2) written approval from PRG Corporation Limited, an Independent Shareholder which holds 306,360,000 Shares representing approximately 55.46% (as at 13 April 2007) in nominal value of the securities of the Company giving the right to attend and vote at a general meeting, approving the Acquisitions was obtained on 20 April 2007.

The Vendor and his associates have no relationship with the Company or its Connected Persons other than as set out above.

Relevant details of the Acquisitions will also be included in the next published annual report and accounts of the Company in accordance with Rule 14A.45 of the Listing Rules.

According to the Listing Rules, the Acquisitions also constitute a discloseable transaction of the Company which is subject to the notification and publication requirements as set out in Rules 14.34 to 14.36 and 14.38 to 14.39 of the Listing Rules.

A circular containing, among other things, details of the Acquisitions, the recommendation from the Independent Board Committee and the opinion from an independent financial advisor will be dispatched to Shareholders in due course.

FINANCIAL EFFECT OF THE ACQUISITIONS ON THE GROUP

Total assets

The total consideration for the Acquisitions was and will be financed through a combination of the internal resources and external borrowings. Accordingly, other than the amount to be funded through external borrowings, the Acquisitions will have limited impact on the total assets of the Group.

Liability

The Acquisitions was and will be financed through a combination of the internal resources and external borrowings. Accordingly, other than the amount to be funded through external borrowings, the Acquisitions will have limited impact on the liability of the Group.

LETTER FROM THE BOARD

Earnings

On the basis of the financial performance of Anshan Parkson for the financial year of 2006 and the fact that it represented a significant improvement to the previous financial year, the Board considers that the Acquisitions will enhance the earnings of the Group.

Liquidity

Taking into account the Group's unaudited cash and cash-equivalent balance (which was approximately RMB3.3 billion as at 31 December 2006) and the positive operating cashflows to the Group's business, the Directors consider that the payment of the Consideration for the Acquisitions would have limited adverse effect on the liquidity of the Group.

Accordingly, other than the portion of the Acquisitions to be funded by external borrowings, the Acquisitions would have limited impact on the financial position of the Group.

ADVICE

Your attention is drawn to the letter from the Independent Board Committee as set out on page 16 of this circular which contains its advice to the Independent Shareholders in respect of the Sale and Purchase Agreement.

Your attention is also drawn to the letter of advice received from Access Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders as set out on pages 17 to 28 of this circular which contains, among other things, its advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Sale and Purchase Agreement and the principal factors and reasons considered by it in arriving at its advice.

ADDITIONAL INFORMATION

Your attention is also drawn to the general information as set out in the appendix of this circular.

By Order of the Board
PARKSON RETAIL GROUP LIMITED
Cheng Yoong Choong
Managing Director



PARKSON RETAIL GROUP LIMITED

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 3368)

15 May 2007

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF 49% INTEREST IN ANSHAN PARKSON AND
100% INTEREST IN THE ANSHAN PROPERTIES**

We refer to the circular issued by the Company to its shareholders and dated 15 May 2007 (the “Circular”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed as the Independent Board Committee to consider the terms of the Acquisitions and to advise the Independent Shareholders in connection with the Acquisitions as to whether, in our opinion, its terms are fair and reasonable so far as the Independent Shareholders are concerned and whether the Acquisitions are in the interests of the Company and the Shareholders as a whole. Access Capital has been appointed as the independent financial adviser to advise us in this respect.

We wish to draw your attention to the letter from the Board and the letter from Access Capital as set out in the Circular.

Having considered the principal factors and reasons considered by, and the advice of, Access Capital as set out in its letter of advice, we consider that the terms of the Acquisitions are fair and reasonable so far as the interests of the Independent Shareholders are concerned and that the Acquisitions are in the interests of the Company and Shareholders as a whole.

Yours faithfully,
STUDDER Werner Josef
Mr. Yau Ming Kim, Robert
KO Tak Fai, Desmond
Independent Board Committee

LETTER FROM ACCESS CAPITAL

The following is the text of the letter of advice from Access Capital to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement prepared for the purpose of incorporation in this circular.



Suite 606, 6th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

15 May 2007

*To: The Independent Board Committee
and the Independent Shareholders of Parkson Retail Group Limited*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF 49% INTEREST IN ANSHAN PARKSON AND 100% INTEREST IN THE ANSHAN PROPERTIES

1. INTRODUCTION

We refer to our appointment as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the acquisition of 49% interest in Anshan Parkson and 100% interest in the Anshan Properties as contemplated under the Sale and Purchase Agreement. Details of which are set out in the circular of the Company to the Shareholders dated 15 May 2007 (“Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

On 23 April 2007, the Company announced that it, through its wholly-owned subsidiary, has entered into the Sale and Purchase Agreement, in which the Vendor has agreed to sell and the Purchaser has agreed to purchase the entire issued share capital in Creation International and Lung Shing International. Creation International is the sole legal and beneficial owner of all the equity interest in Creation (Hong Kong), which in turn is the sole legal and beneficial owner of the 49% interest in Anshan Parkson. Lung Shing International will be the sole legal and beneficial owner of the equity interest in Lung Shing Property which in turn will be the sole legal and beneficial owner of the Anshan Properties on or before the date of the Sale Property Completion. Anshan Parkson owns and operates the Anshan Parkson Store located in Anshan, Liaoning, the PRC.

LETTER FROM ACCESS CAPITAL

As the Vendor is a substantial shareholder of Anshan Parkson, which is a 51% indirect subsidiary of the Company before completion of the Acquisitions (the “Completion”), the Vendor is a Connected Person of the Company for the purposes of the Listing Rules. Accordingly, the Acquisitions constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules calculated in respect of the aggregate value of the Acquisitions exceeded 5% and the threshold for exemption under Rule 14A.32 of the Listing Rules, the Acquisitions constitute as discloseable and connected transactions subject to reporting, announcement and Independent Shareholders’ approval requirements as prescribed under Chapter 14 and Chapter 14A of the Listing Rules respectively.

2. THE INDEPENDENT BOARD COMMITTEE

The Board currently consists of two executive Directors, namely Mr. CHENG Yoong Choong and Mr. CHEW Fook Seng, a non-executive Director, Tan Sri CHENG Heng Jem and three independent non-executive Directors, namely Mr. STUDER Werner Josef, Mr. KO Tak Fai, Desmond and Mr. YAU Ming Kim, Robert.

The Independent Board Committee comprising Mr. STUDER Werner Josef, Mr. KO Tak Fai, Desmond and Mr. YAU Ming Kim, Robert, has been established to advise the Independent Shareholders as to the fairness and reasonableness of the Acquisitions and whether the Acquisitions are agreed on normal commercial terms and are in the interests of the Company and the Independent Shareholders as a whole.

We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

3. BASIS AND ASSUMPTION OF THE ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions and representations for matters relating to the Company contained in the Circular and the information and representations provided to us by the Company and/or its senior management staff and/or the Directors. We have assumed that all such statements, information, opinions and representations for matters relating to the Company contained or referred to in the Circular or otherwise provided or made or given by the Company and/or its senior management staff and/or the Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Circular. We have assumed that all opinions and representations for matters relating to the Company made or provided by the Directors and/or the senior management staff of the Company contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or its senior management staff and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all currently available information and documents which are available to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinions. We have no reason to doubt the truth,

accuracy and completeness of the statements, information, opinions and representations provided to us by the Company and/or its senior management staff and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Company or any of its subsidiaries.

4. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

4.1 Background to the Acquisition

4.1.1 *Principal activities of the Group*

The Company and its subsidiaries are principally engaged in the operation of 38 department stores and two supercentres situated in prime locations in 27 cities in the PRC. The Group offers a wide range of merchandise in those department stores and supercentres, including fashion and apparel, cosmetics and accessories, household, electrical goods and groceries.

The Purchaser, Grand Parkson Retail Group Limited, is a 100% direct subsidiary of the Company, primarily acting as an investment holding company to invest in the department store business in the PRC.

According to the audited accounts of the Group for the year ended 31 December 2006, the Group generated a total gross sales proceeds received or receivable of approximately RMB6,168.7 million (comprises direct sales, sales proceeds from concessionaire sales, rental incomes, consultancy and management service fees and other operating revenues), equivalent to approximately HK\$6,230 million, for the year ended 31 December 2006. Total gross sales proceeds for the year 2006 represented a growth of 86.5% of the total gross sales proceeds received or receivable for the year ended 31 December 2005 as a result of (i) the strong same store sales growth of approximately 17.1%; (ii) full year sales contribution from new stores opened in 2005 and Parkson branded managed stores acquired throughout the second half of 2005; and (iii) the inclusion into 2006's accounts, the post acquisition sales performances of the 44% Beijing Parkson and the Kunming stores. The growth was also partly contributed by the receipt of the PRC government's incentive for dividend reinvested to acquire the 44% Beijing Parkson and the change of arrangement with the concessionaires which resulted in increase recognition of other operating revenues. The growth was however partially offset by the reduction in the consultancy and management service fees due to lesser managed stores within the Group's portfolio after the acquisition of some of the managed stores.

For the financial year 2006, profit attributable to equity holders of the Company for the year grew to approximately RMB460,761,000 (equivalent to approximately HK\$465 million), representing an increase of approximately 85.8% over the previous year. Such increase was in line with the revenue growth.

LETTER FROM ACCESS CAPITAL

As stated in the annual report of the Group for the year ended 31 December 2006, the Group will strive to continue its proven business model, to upgrade its stores, continue to alter the merchandise mix and brand mix in line with the development in each individual market that it operates to maintain a healthy same store sales growth for the existing stores and continue to build on its already strong brand equity to open new stores in existing markets and in new markets. The Group will also continue to seek for acquisition opportunities that allow it to further consolidate its position in existing markets and to gain a fast entrance into new markets and use it as the platform to quickly expand its presence in those markets.

4.1.2 Information about Anshan Parkson and Anshan Properties

Anshan Parkson

Anshan Parkson, a 51% indirect subsidiary of the Company before Sale Equity Completion, is the owner and operator of the Parkson Department Store located at the entire basement level, part of Level 1 and Level 2 and the entire Level 3 to Level 6 of the Anshan Properties, No.88 Er Dao Street, Tie Dong District, Anshan, Liaoning. Such department store is the flagship store for the Company in the North East region of the PRC and one of the major contributors in terms of revenues and profits of the Group. The Anshan Parkson Store, as shown in the address above, is strategically located in the Anshan, one of the major cities within Liaoning.

Set out below is the historical financial information about Anshan Parkson for each of the three years ended 31 December 2004, 2005 and 2006 prepared and audited under PRC generally accepted accounting principles:

	Year ended 31 December		
	2004	2005	2006
	<i>(in RMB'000)</i>		
Gross sales proceeds (<i>Note 1</i>)	273,513	389,136	507,530
Operating revenues (<i>Note 2</i>)	94,836	130,560	163,495
Net profit before tax	12,186	30,684	48,180
Net profit after tax	8,143	20,741	32,221

	As at 31 December		
	2004	2005	2006
	<i>(in RMB'000)</i>		
Total assets	126,034	167,396	179,865
Net asset value	18,631	31,985	23,328

Notes:

1. Gross sales proceeds includes the direct sales, gross sales proceeds from concessionaire sales, rental income and other operating revenues.

2. Operating revenues includes the direct sales, commission from concessionaire sales, rental income and other operating revenues. Gross sales proceeds from concessionaire sales are not recognised. Operating revenues need not be included in the audit report issued under the PRC generally accepted accounting principles, the numbers were extracted from the management accounts prepared under the PRC generally accepted accounting principles.

The growth in gross sales proceeds was approximately 42.3% and 30.4% for the year 2005 and 2006 respectively. The growth in operating revenue was approximately 9.2% and 25.2% for the year 2005 and 2006 respectively. The growth in net profit after tax was approximately 54.7% and 55.3% respectively. As Anshan Parkson is stepping into its fifth year of operation and has passed its initial gestation period, the Directors were of the view that Anshan Parkson is in its fast growing stage. The Directors believe that the strong growth will sustain due to the strong brand equity of Parkson, the low level of competition and the strong growth of the local economy.

Anshan Properties

Anshan Properties consist of the entire land use right and property use right for a total gross floor area of approximately 44,574 square meters in respect of the property located at No. 88 Er Dao Street, Tie Dong District, Anshan, Liaoning, the PRC.

Anshan Tianxing, which is solely and beneficiary owned by the Vendor, is the existing owner of the Anshan Properties and the landlord to Anshan Parkson. Subject to completion of the reorganisation of Anshan Tianxing, Lung Shing Property which is solely owned by Lung Shing International will be the sole legal and beneficial owner of the Anshan Properties and the Vendor will be the sole legal and beneficial owner of Lung Shing Property through his direct interest in Lung Shing International.

Given that both Lung Shing International and Lung Shing Property are special purpose vehicles set up by the Vendor to purchase Anshan Properties from Anshan Tianxing, no historical financial information of these two companies are available. However, based on the information set out in the "Letter from the Board" which is provided by Anshan Tianxing, the Anshan Properties generated total rental income of approximately RMB25,000,000 for the financial year ended 31 December 2006 of which approximately RMB16,800,000 was paid by Anshan Parkson and the balance was paid by other tenants of Anshan Properties.

4.1.3 The Acquisitions

On 23 April 2007, the Company announced that it, through its wholly-owned subsidiary, has entered into the Sale and Purchase Agreement, in which the Vendor has agreed to sell and the Purchaser has agreed to purchase the entire issued share capital in Creation International and Lung Shing International respectively for a total consideration of RMB730,000,000.

Creation International is the sole legal and beneficial owner of all the equity interest in Creation (Hong Kong), which in turn is the sole legal and beneficial owner of the 49% interest in Anshan Parkson.

LETTER FROM ACCESS CAPITAL

Lung Shing International will be the sole legal and beneficial owner of the equity interest in Lung Shing Property which in turn will be the sole legal and beneficial owner of the Anshan Properties on or before the date of the Sale Property Completion.

Anshan Parkson owns and operates the Anshan Parkson Store situated inside the Anshan Properties, which is located in Anshan, Liaoning, the PRC.

4.1.4. *Reasons for and benefits of the Acquisitions*

As stated in the “Letter from the Board”, the Board considered that upon Completion, Anshan Parkson will become a wholly-owned subsidiary of the Company and the Group is expected to enjoy the growth in business and profitability as well as to allow for greater efficiency and acceleration on the implementation of its business expansion plan. Certain prime floor space on the ground floor and the first floor of the Anshan Properties is now being leased out directly by the Vendor to external tenants. It is the intention of the Company that such floor space will be utilised for the department store operation of Anshan Parkson Store upon the expiry of the existing lease agreement with the external tenants, the utilisation of such prime floor space for department store operation is expected to bring about additional flexibility which will benefit Anshan Parkson. In addition, as a flagship store in the North East region of the PRC, the Company intends to use the Anshan Parkson Store as the platform to further expand the Group’s businesses in this region of the PRC market.

According to the Liaoning Statistical Yearbook 2006, the nominal GDP of Liaoning Province in which Anshan Parkson Store situated in was approximately RMB503.3 billion and RMB800.9 billion in the year of 2001 and 2005 respectively, representing a CAGR of approximately 12.3%. According to the preliminary statistics as announced by the National Bureau of Statistics of China, the nominal GDP of Liaoning Province in year 2006 was approximately RMB925.7 billion, representing a real GDP growth rate in of approximately 13.8%. In addition, the per capita household disposable income in Liaoning was approximately RMB12,015 and RMB18,983 in the year of 2001 and 2005 respectively, representing a CAGR of approximately 9.1%.

According to the China Statistical Yearbook 2006, the nominal GDP of China was approximately RMB10,965.5 billion and RMB18,308.4 billion in the year 2001 and 2005 respectively, representing a CAGR of approximately 9.3%. According to the preliminary statistics as announced by the National Bureau of Statistics of China, the nominal GDP of China in the year 2006 was approximately RMB20,940.7 billion, representing a real GDP growth rate of approximately 10.7%. In addition, the per capita household disposable income in China was approximately RMB8,622 and RMB14,040 in the year 2001 and 2005 respectively, representing a CAGR of approximately 8.6%.

On the basis of the above statistics for the past five years, it is noted a consecutive growth momentum of GDP for Liaoning Province (the North East region of China) and cumulatively exceeds the entire country.

Taking into account (i) the past economic indicators of Liaoning (in terms of GDP and per capita household disposable income) and the sustainable economic growth in the PRC as mentioned above; (ii) the consecutive growth in business operation as shown in the historical financial performance of Anshan Parkson above; (iii) the historical track record of the Group, in particular, the growing

LETTER FROM ACCESS CAPITAL

contributions from the North East region of the PRC; (iv) the stated business strategy of the Group; and (v) the additional flexibility from the future utilisation of prime floor space for Anshan Parkson Store operation, we concur with the view of the Directors and are of the view that the implementation of the acquisition of 49% interest in Anshan Parkson is reasonable and in the interests of the Company and the Shareholders as a whole. In addition, we believe that the acquisition of 49% interest in Anshan Parkson will (i) further enhance the growth and profitability of the Group, (ii) allow for greater efficiency and speed up the implementation of the business expansion plan of the Group, in particular, using Anshan Parkson Store as the platform to further expand the Group's businesses in the North East region of the PRC.

Also stated in the "Letter from the Board", the Board considered that by acquiring the ownership of the Anshan Properties, this will provide the Group more certainty on the continuity of the business and the flexibility in renovating and reinventing the Anshan Parkson Store. The Board considered that the acquisition of the entire interest in Anshan Properties is in line with the Group's expansion plan and will complement its long-term growth strategy. Taking into account the stated business strategy of the Group and the additional flexibility from the future utilisation of prime floor space for Anshan Parkson Store operation we concur with the view of the Directors and are of the view that the acquisition of the entire interest in the Anshan Properties is reasonable and in the interests of the Company and the Shareholders as a whole.

We have also discussed with the senior management of the Company and reviewed the valuation report of Anshan Properties. It is noted from the valuation report that, apart from the lease for the space currently occupied by Anshan Parkson Store to be expired by 31 December 2017, the remaining prime floor space are subject to various leases. We have discussed with the management and confirmed that as at the Latest Practicable Date, a lease has expired and the remaining leases will be expired in the future. According to the senior management of the Group upon the expiry of the these leases, such prime floor space will be utilised for the department store operation that will benefit the overall operation of Anshan Parkson Store.

Taking into account (i) the amount of net savings for the Group (i.e. annual rental payment of approximately RMB16.8 million less any related expenses as compared to the one off interest foregone of utilising/financing RMB450 million for the purchase of the entire interest in the Anshan Properties) as a result of owner occupy the property for the operation of Anshan Parkson Store following the completion of the acquisition of the entire interest in the Anshan Properties; (ii) the additional rental incomes receivable from the tenants of the prime floor space; (iii) the additional flexibility from the future utilisation of such prime floor space for Anshan Parkson Store operation and (iv) the flexibility of the Group to renovate and reinvent Anshan Parkson Store with the objective to expand its business in this core area which may be more profitable, we are of the view that the purchase of the Anshan Properties is fair and reasonable and in the interests of the Shareholders as a whole.

2. TERMS OF THE SALE AND PURCHASE AGREEMENT

2.1 The Sale and Purchase Agreement

Date: 20 April 2007

Parties

Vendor: Li Zhong Yong, a substantial shareholder of Anshan Parkson, which is a 51% indirect subsidiary of the Company. Accordingly, he is a Connected Person of the Company under the Acquisitions for the purpose of Chapter 14A of the Listing Rules

Purchaser: Grand Parkson Retail Group Limited, a wholly-owned subsidiary of the Company

2.2 Assets to be acquired

- (i) 49% interest in Anshan Parkson; and
- (ii) 100% of the Anshan Properties.

2.3 Consideration and basis for determining the Consideration

2.3.1 *Consideration payable for 49% interest in Anshan Parkson*

It is RMB280,000,000 and shall be paid as follows:

- (a) the Purchaser shall pay the Vendor in cash as a deposit, amounting to the equivalent sum in HKD for RMB21,330,000 within 1 Business Day from the date of signing of the Sale and Purchase Agreement in exchange for the Vendor's delivery of the Creation Completion Documents for the 49% interest in Anshan Parkson and the Share Mortgage Documents to the Purchaser on the same day;
- (b) within 7 Business Days from the date of the Vendor producing the Equity Transfer Certificate for the 49% interest in Anshan Parkson, the Purchaser shall procure Beijing Parkson to release the Entrusted Loan to Anshan Tianxing. The Entrusted Loan amount shall be utilised by Anshan Tianxing for the full settlement of the Anshan Parkson Debts and the full settlement of the Anshan Commercial Bank Debts in order to discharge the mortgage created over the 5th and 6th floors of the Anshan Properties and the Anshan Commercial Bank Mortgage, the latter is a condition to the Sale Equity Completion;
- (c) on the same day when the Entrusted Loan is released in favour of Anshan Tianxing, the Purchaser shall deposit the Escrow Amount into the Escrow Account as the second installment payment of the consideration; and
- (d) within 3 Business Days from the fulfilment of the conditions to the Sale Equity Completion, the Purchaser will release to the Vendor in cash by way of telegraphic transfer the final installment of the consideration, in the equivalent in HKD of RMB132,770,000 for the Sale Equity Completion.

LETTER FROM ACCESS CAPITAL

Within 30 days from the date of Sale Equity Completion, the Vendor shall procure the full settlement of the Entrusted Loan and the Purchaser shall within 3 Business Days after the full settlement of the Entrusted Loan procure the release of the Escrow Amount in the Escrow Account in favour of the Vendor.

The Directors considered that the consideration for the acquisition of 49% interest in Anshan Parkson reflects normal commercial terms which were arrived at after arm's-length negotiations between the Vendor and the Purchaser and with reference to the business valuation.

The business valuation of Anshan Parkson as at 28 February 2007 was performed by the Valuer, an independent valuer employed for the purpose of valuing Anshan Parkson. It was determined that the value of 49% interest in Anshan Parkson to be RMB300,000,000. As at the date of the Sale and Purchase Agreement, the exchange rate of RMB was approximately 0.988893, the valuation is equivalent to approximately HK\$303.4 million. It is therefore noted that the consideration payable for the acquisition of the 49% interest in Anshan Parkson represents approximately 7.7% discount to the value ascribed to Anshan Parkson.

Taking into account the consideration payable for the acquisition of 49% interest in Anshan Parkson makes with reference to the business valuation and representing a discount to the business valuation, we are of the view that the consideration payable for the acquisition of 49% interest in Anshan Parkson is fair and reasonable and in the interests of the Independent Shareholders and the Company as a whole.

2.3.2 *Consideration payable for the Anshan Properties*

It is RMB450,000,000 and shall be paid on the date of the Sale Property Completion as follows:

- (a) Lung Shing Property shall take over from Anshan Tianxing the entire RMB66,000,000 Anshan BOC Bank Debts of which in this respect, the said RMB66,000,000 shall form part of the consideration for the Anshan Properties and shall be deducted therefrom; and
- (b) the Purchaser will release to the Vendor by way of telegraphic transfer in HKD equivalent of the balance of the consideration amounting to RMB384,000,000. The exchange rate to be used will be the middle rate published by the People's Bank of China for the conversion of RMB to HKD on the date of payment.

The Directors consider that the consideration for the Anshan Properties reflects normal commercial terms which were arrived at after arm's-length negotiations between the Vendor and the Purchaser and with reference to the property valuation.

As stated in the "Letter from the Board", the Anshan Properties was purchased by the Vendor in the year 2000 at an original purchase cost of approximately RMB240,000,000. According to the valuation report, the Anshan Properties carried a value of RMB452,000,000 as at 28 February 2007. The consideration payable for the entire interest in the Anshan Properties is RMB450,000,000 representing a slight discount of approximately 0.4% to the abovementioned value.

LETTER FROM ACCESS CAPITAL

Taking into account the consideration payable for the Anshan Properties is (i) make with reference to the property valuation; (ii) representing a slight discount to the market value; (iii) the abovementioned amount of net savings for the Group (i.e. annual rental payment of approximately RMB16.8 million less any related expenses as compared to the one off interest foregone of utilising/financing RMB450 million for the purchase of the entire interest in the Anshan Properties) as a result of owner occupy the property for the operation of Anshan Parkson Store following the completion of the acquisition of the entire interest in the Anshan Properties; (iii) the additional rental incomes receivable from the tenants of the prime floor space; (iv) the expected flexibility from the future utilisation of such prime floor space for Anshan Parkson Store operation and (v) the flexibility of the Group to renovate and reinvent Anshan Parkson Store with the objective to expand its business in this core area which may be more profitable, we are of the view that the consideration payable for the Anshan Properties is fair and reasonable and in the interests of the Independent Shareholders and the Company as a whole.

2.3.3 Funding for the consideration payable for 49% interest in Anshan Parkson and the Anshan Properties

A deposit of RMB21.3 million (approximately HK\$21.5 million) has been paid for 49% interest in Anshan Parkson and the remaining RMB258.7 million (approximately HK\$261.3 million) of the consideration for 49% interest in Anshan Parkson will be paid upon Sale Equity Completion which is expected to be before the end of May 2007. The consideration for Anshan Properties of RMB450 million (approximately HK\$454 million) will be paid upon the Sales Property Completion. The Group intends to fund the consideration for the 49% interest in Anshan Parkson through internal resources and to fund the consideration for the Anshan Properties through a combination of internal resources and external borrowings. According to the annual report of the Company, the Group owned approximately RMB3,271 million of bank balances as at 31 December 2006. Given that the Company confirmed that they are currently arranging Hong Kong dollar external borrowing and to transfer its RMB reserve to Hong Kong dollar to finance the Acquisitions, we concur with the Directors that the Group will have sufficient working capital to satisfy the payment of the Acquisitions.

3. POSSIBLE FINANCIAL EFFECTS AS A RESULT OF THE ACQUISITIONS

3.1 Corporate structure

Upon Sale Equity Completion and Sale Property Completion, Anshan Parkson and Lung Shing Property will respectively become wholly owned subsidiaries of the Company and their financial results will be consolidated into the Group.

3.2 Total assets, total liabilities and net asset value

As the consideration for the 49% interest for Anshan Parkson will be financed by internal resources, the acquisition of the 49% interest for Anshan Parkson will not have material impact on the total assets, total liabilities and net asset value of the Group. As the consideration for the acquisition

of Anshan Properties will be financed by a combination of internal resources and external borrowings, both the total assets and the total liabilities will be increased by an amount of such external borrowings and offset each other whereby the net asset value is not anticipated to be materially affected.

3.3 Earnings

Upon Sale Equity Completion, the result of the 49% Interest in Anshan Parkson before Sale Equity Completion will be accounted for as pre-acquisition result in the financial statement of the Group. The Group will not record any gain or loss upon Sale Equity Completion but earnings will be affected if any of the goodwill arising on the consolidation needed to be written down in the future.

There will not be any effect on earnings of the Group upon Sale Property Completion.

3.4 Cash position and gearing

As the consideration for the 49% interest for Anshan Parkson will be financed by internal resources, the cash position of the Group will be reduced by the similar amount as such consideration and there would not be any effect on the gearing position of the Group. As the consideration for the acquisition of the Anshan Properties will be financed by a combination of internal resources and external borrowings, the cash position of the Group will be reduced by the amount to be financed by internal resources and the gearing position of the Group will increase as more external borrowings will be sought.

4. OTHER ISSUES

Pursuant to the terms of the Sale and Purchase Agreement, the Vendor undertakes to the Purchaser that he will not and procure that none of his associates will, for a period of 2 years from the date of completion of the Acquisitions, engage directly or indirectly in or carry out the business of department store and retail within the Anshan City of the PRC. We believe that these terms provide protection to the Purchaser that prevent the Vendor, being a substantial shareholder of Anshan Parkson for 5 years, from doing anything which will be detriment to the interests of the Group by utilising any information obtained or expertise earned during the time when it was the major shareholder of Anshan Parkson.

5. RECOMMENDATION

In considering the terms of the Sale and Purchase Agreement and the transaction contemplated thereunder, we have taken into account the following factors:

1. the background to and reasons for the Acquisitions;
2. the terms of the Sale and Purchase Agreement, including the basis of the consideration and the funding method of the consideration;
3. the potential financial impact to the Group as a result of the Acquisitions; and

LETTER FROM ACCESS CAPITAL

4. the other issues arising from the Sale and Purchase Agreement which we have brought to the attention of the Shareholders,

we consider that the terms of the Sale and Purchase Agreement and the transaction contemplated thereunder are normal commercial term and fair and reasonable so far as the Independent Shareholders are concerned; and that the Acquisitions are in the interests of the Company and the Shareholders as a whole.

As no Shareholders are required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisitions, the Company has applied to the Stock Exchange for a waiver pursuant to Rule 14A.43 of the Listing Rules under which written Independent Shareholders' approval may be accepted in lieu of holding a general meeting. As at the date of the announcement of the Acquisitions, a written approval of the Acquisitions from PRG Corporation Limited, which holds 306,360,000 Shares representing approximately 55.46% of the issued share capital of the Company, has been obtained.

Taking into account the factors mentioned above and as if a general meeting of the Company will be convened to consider and approve the Acquisitions, we will advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of the resolution which would have been proposed at the general meeting of the Company to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully

For and on behalf of

ACCESS CAPITAL LIMITED

Jeanny Leung

Managing Director

Jimmy Chung

Director, Corporate Finance

The following is the text of a letter and valuation certificate, prepared for the purposes of incorporation in this circular received from Vigers Appraisal and Consulting Limited, an independent value, in connection with its valuation as at 28 February 2007 of the captioned property interest held by Anshan Tianxing International Properties Development Co., Ltd. in the PRC.

Vigers Appraisal and Consulting Limited
International Property Consultants

10th Floor
The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong



24 April 2007

The Directors
Parkson Retail Group Limited
9th Floor, Parkson Plaza
No. 101 Fuxingmennei Avenue
Xicheng District
Beijing, the PRC

Dear Sirs,

In accordance with your instructions for us to value the property interest held by 鞍山天興國際置業發展有限公司 (Anshan Tianxing International Properties Development Co., Ltd., referred hereinafter to as “Anshan Tianxing”) in the People’s Republic of China (the “PRC”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of market value of such property interest as at 28 February 2007 (the “Date of Valuation”) for incorporation into this circular.

Our valuation is our opinion of market value of the property interest which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

In arriving at our opinion of value for the property interest that is held by Anshan Tianxing and leased to Anshan Tianxing Parkson Shopping Centre Co., Ltd., we have made reference to the following methodologies, namely the Direct Comparison Approach and the Capitalization Approach.

Firstly, we have valued the property interest on the market basis by Direct Comparison Approach assuming sale of the property interest in existing state on a strata-titled basis by making reference to comparable market transactions/evidences as available. This approach rests on the wide acceptance of market price as the best indicator of value and pre-supposes that evidence of recent transactions in the market place can be extrapolated to similar property, subject to allowance for variable factors.

Furthermore, we have also valued the property interest using Capitalization Approach that takes into account the current rent passing of the property interest and capitalizing the market rental of the property.

Our valuation has been made on the assumption that owner sells the property interest on the market without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangement which would serve to increase the value of the property interest. Furthermore, no account has been taken of any option or right of pre-emption concerning or affecting a sale and no forced sale situation in any manner is assumed in our valuation.

In valuing the property interest, we have assumed that the owner has free and uninterrupted rights to use, occupy or assign the property interest for the whole of the unexpired term of the respective land use rights. Furthermore, we have assumed that Anshan Tianxing has proper legal title to the property and is entitled to transfer the property in the market whether as a whole or in strata basis during its residual term of the land use rights at no extra premium or other onerous charges payable to the government. All consents, approvals and licences from relevant PRC government authorities for development of the property interest were assumed to be granted to the property without any onerous conditions or undue delay.

In the course of our valuation, we have not caused title searches to be made for the property interest at the relevant government bureau in the PRC. However, we have been provided with extracts of title documents relating to the property interest. We have not, however, searched the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which do not appear on the copies handed to us. All documents have been used for reference only. All dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Anshan Tianxing and therefore are only approximations.

We have relied to a considerable extent on information provided by Anshan Tianxing and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, site and floor areas and other relevant matters. We have also been advised by Anshan Tianxing that no material facts had been concealed or omitted in the information provided to us. We have no reason to doubt the truth and accuracy of the information provided to us by Anshan Tianxing. We have also advised by the Group that no material factors have been concealed or omitted from the information supplied, and have no reason to suspect that any material information has been withheld. We consider that we have been provided with sufficient information to reach an informed view.

We have inspected the exterior and, where possible, the interior of the premises. However, no structural survey has been made and we are therefore unable to report whether the Property is free from rot, infestation or any other structural defects, though in the course of our inspections we did not note any serious defects. No tests were carried out on any of the services.

In valuing the Property, we have complied with all the requirements set out in Chapter Eight, Practice Notes 12 and 16 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited. In addition, our valuations are prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors (“HKIS”).

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Unless otherwise stated, all monetary amounts stated are in Renminbi.

We enclosed herewith our valuation certificate.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor
MRICS MHKIS MSc(e-com)
Executive Director

Note: Raymond K. K. Ho, Chartered Surveyor, MRICS, MHKIS, MSc (e-com) has 20 years experience in undertaking valuation of properties in Hong Kong and has over 13 years' experience in the valuation of properties in the PRC.

VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of occupancy	Market value as at 28 February 2007
Basement Level 1 and Levels 1 to 6, No. 88 Er Dao Street, Tie Dong District, Anshan City, Liaoning Province, the PRC	<p>The property comprises the whole of Levels 1 to 6 and Basement Level 1 of a 7-storey commercial composite podium completed in 1987.</p> <p>The property has a total gross floor area of approximately 42,574 sq. m.</p> <p>The property is held under land use rights for a term expiring on 11 May 2040 for commercial and service industries uses.</p>	<p>Portion of Level 1 is leased and occupied by Bank of China, KFC, Pizza Hut, 納迪亞專門店, and Mdm Zhou Yu Jun (trading as Bossini, Balano and 生活幾何專門店) for retail use.</p> <p>The remaining portion of the property is currently leased and occupied by Anshan Parkson as department store.</p>	RMB452,000,000

Notes:

- Pursuant to a State-owned Land Use Right Certificate (Document No.: An Guo Yong (2000) Zi No. 100419) dated 11 May 2000, the land use rights to the Property with a total site area of approximately 7,871.92 sq. m. is vested in 鞍山天興國際置業發展有限公司 (Anshan Tianxing International Properties Development Co., Ltd., referred hereinafter to as “Anshan Tianxing”) for a term expiring on 11 May 2040 for commercial and service industries uses.
- Pursuant to a Building Ownership Certificate (Document No.: An Fang Quan Zheng Tie Dong Zi No. 200006280083) dated 27 April 2004, the building ownership to the Property with a total gross floor area of approximately 42,574 sq.m. is vested in Anshan Tianxing for commercial use.
- Pursuant to a lease agreement entered into between Anshan Tianxing and Anshan Tianxing Parkson Shopping Centre Co., Ltd. (hereinafter referred to as “Anshan Parkson”) on 21 March, 2002, Anshan Tianxing agreed to lease Levels 1 to 5 and Basement Level 1 of the Property to Anshan Parkson and some of the important terms stipulated in the lease agreement are inter alia, as follows:
 - the lease term is for 15 years from 28 April 2002 to 31 December 2017;
 - Anshan Parkson agrees to pay an annual rent to Anshan Tianxing with agreed payment terms as follows:

Year	Annual Payment (RMB)
1 - 2	13,000,000 (each year) (when Anshan Parkson has made profit, Anshan Parkson need to pay 15,000,000)
3 - 15	15,000,000 (each year)

- Anshan Parkson has the right to assign the lease or to sublet the property.

4. According to a supplementary lease agreement entered into between Anshan Tianxing and Anshan Parkson dated 4 November 2005, Level 6 of the property having a total gross floor area of approximately 6,920 sq.m. has been leased from Anshan Tianxing to Anshan Parkson for a term commencing from the property handed over to Anshan Parkson to 31 December 2017 at an annual rent of RMB1,500,000.
5. Anshan Tianxing and Anshan Parkson has entered into another lease agreement for a 240 sq. m. premises on the Ground Floor of the property for 5 years, expiring on 18th April 2010, at an annual rental equivalent to 7% of turnover sale.
6. Pursuant to the Building Ownership Certificate mentioned in Note 2 above, the property is subject to four mortgages in favor of Bank of China Anshan Branch and 鞍山市商業銀行股份有限公司鐵東支行 (Anshan City Commercial Bank Company Limited Tiedong Branch) with terms for one to three years at a total consideration of RMB176,000,000. As advised by Anshan Tianxing, these four mortgages had not been released as at the Date of Valuation.
7. In undertaken our valuation, we have assumed that the owner of the property has free and uninterrupted rights to use, occupy or assign the property interest of the property in the open market for the whole of the unexpired term of the land use right of the property. We have assumed that Anshan Tianxing has proper legal title to the property and is entitled to transfer the property in the market whether as a whole or in strata basis during its residual term of the land use rights at no extra premium or other onerous charges payable to the government.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this circular misleading.

DISCLOSURE OF INTERESTS**Directors and chief executive of the Company**

(i) As at Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and/or debentures (as the case may be) of the Company or any its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director or chief executive is taken or deemed to have under such provisions of the SFO) or which were required to be entered into the register required to be kept by the Company under section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, were as follows:

(a) *Long positions of Tan Sri Cheng Heng Jem in the share capital of the Company:*

Name of corporation	Nature of Interest	Name of registered owner	Name of beneficial owner	Number and class of securities	Approximate percentage of shareholding
Company	Corporate interest	PRG Corporation Limited ¹	PRG Corporation Limited	306,360,000 ordinary shares	55.45%

Note:

1. Tan Sri Cheng Heng Jem, together with his wife, Puan Sri Chan Chau Ha alias Chan Chau Har, through their direct interest and a series of companies in which they have a substantial interest, are entitled to exercise or control the exercise of more than one third of the voting power at general meetings of Lion Diversified Holdings Berhad ("LDHB"). Since LDHB is entitled to exercise or control the exercise of 100% of the voting power at general meeting of PRG Corporation Limited, pursuant to the SFO, he is deemed to be interested in the Shares held by PRG Corporation Limited in the Company.

(b) *Long positions of Tan Sri Cheng Heng Jem in the share capital of the Company's associated corporations (as defined in the SFO):*

Name of associated corporation	Nature of Interest	Name of registered owner	Name of beneficial owner	Number and class of securities	Approximate percentage of shareholding
PRG Corporation Limited	Corporate interest	LDHB	LDHB	1 ordinary share	100%
Lion Mahkota Parade Sdn. Bhd.	Corporate interest	LDH Management Sdn. Bhd.	LDH Management Sdn. Bhd.	400,000 preference shares	100%
LDHB	Beneficial interest and corporate interest	Tan Sri Cheng Heng Jem and a series of controlled corporations	Tan Sri Cheng Heng Jem and a series of controlled corporations	442,451,395 ordinary shares	60.02% ¹

Note:

1. This represents Tan Sri Cheng Heng Jem's interest as at the Latest Practicable Date. This figure will increase if any of the debentures referred in sub-paragraph (c) below are converted into shares in LDHB.

The following are the associated corporations (as defined in the SFO) of the Company in which Tan Sri Cheng Heng Jem is deemed interested as a result of his controlling interest in LDHB (the figures in brackets represent LDHB's interests in these corporations): Qingdao No. 1 Parkson Co., Ltd.(52.60%), Hamba Research & Development Co., Ltd. (98%), Nanning Brilliant Parkson Commercial Co., Ltd.(70%), Dalian Tianhe Parkson Shopping Centre Co., Ltd.(60%), Aktif-Sunway Sdn. Bhd. (80%).

In relation to the following associated corporations (as defined in the SFO) of the Company which are non wholly-owned subsidiaries of LDHB, Tan Sri Cheng Heng Jem is also deemed interested in the remaining minority interest in those corporations as follows:

Name of associated corporation	LDHB's interest	Additional deemed interest
Lion Mahkota Parade Sdn. Bhd. ^D	99.99%	0.01% ^A
Likom CMS Sdn. Bhd.	99.98%	0.02% ^B
LDH Investment Pte. Ltd.	60%	40% ^C

Notes:

- A. Corporate interest through Ayer Keroh Resort Sdn. Bhd. Tan Sri Cheng Heng Jem, through a series of companies in which he has a substantial interest, is entitled to exercise or control the exercise of more than one third of the voting power at general meetings of this company. Accordingly, he is deemed to be interested in the shares held by Ayer Keroh Resort Sdn. Bhd. in Lion Mahkota Parade Sdn. Bhd.

- B. Corporate interest through Likom Computer System Sdn. Bhd. Tan Sri Cheng Heng Jem is entitled to exercise or control the exercise of more than one third of the voting power at general meetings of this company. Accordingly, he is deemed to be interested in the shares held by Likom Computer System Sdn. Bhd. in Likom CMS Sdn. Bhd.
- C. Corporate interest through Lion Asia Investment Pte. Ltd. Tan Sri Cheng Heng Jem, through a series of companies in which he has a substantial interest, is entitled to exercise or control the exercise of more than one third of the voting power at general meetings of this company. Accordingly, he is deemed to be interested in the shares held by Lion Asia Investment Pte. Ltd. in LDH Investment Pte. Ltd.
- D. Interest refers to the class of ordinary shares of Lion Mahkota Parade Sdn. Bhd. Interest in the class of preference shares is disclosed in preceding table under sub-paragraph (b) above.

(c) *Long Positions of Cheng Yoong Choong in the share capital of the Company:*

Name of corporation	Nature of Interest	Name of beneficiary	Subject matter	Number and class of securities	Approximate percentage of shareholding ²
Company	Beneficial interest	Cheng Yoong Choong	Option to subscribe for shares ¹	825,000 ordinary shares	0.15%

Notes:

- Offer was made on 10 January 2007 pursuant to the Company's share option scheme adopted on 9 November 2005.
- Based on the issued and paid up share capital of the Company as at LPD.

(d) *Long Positions of Cheng Yoong Choong in the share capital of the Company's associated corporations (as defined in the SFO):*

Name of associated corporation	Nature of Interest	Name of registered owner	Name of beneficial owner	Number and class of securities	Approximate percentage of shareholding
LDHB	Beneficial interest	Cheng Yoong Choong	Cheng Yoong Choong	998,846 ordinary shares	0.14%

(e) *Long Position of Chew Fook Seng in the share capital of the Company*

Name of corporation	Nature of Interest	Name of beneficiary	Subject matter	Number and class of securities	Approximate percentage of shareholding ²
Company	Beneficial interest	Chew Fook Seng	Option to subscribe for shares ¹	550,000 ordinary shares	0.10%

Notes:

1. Offer was made on 10 January 2007 pursuant to the Company's share option scheme adopted on 9 November 2005.
2. Based on the issued and paid up share capital of the Company as at LPD.

(f) *Long Position of Studer Werner Josef in the share capital of the Company*

Name of corporation	Nature of Interest	Name of beneficiary	Subject matter	Number and class of securities	Approximate percentage of shareholding²
Company	Beneficial interest	Studer Werner Josef	Option to subscribe for shares ¹	55,000 ordinary shares	0.01%

Notes:

1. Offer was made on 10 January 2007 pursuant to the Company's share option scheme adopted on 9 November 2005.
2. Based on the issued and paid up share capital of the Company as at LPD.

(g) *Long Position of Ko Tak Fai in the share capital of the Company*

Name of corporation	Nature of Interest	Name of beneficiary	Subject matter	Number and class of securities	Approximate percentage of shareholding²
Company	Beneficial interest	Ko Tak Fai	Option to subscribe for shares ¹	55,000 ordinary shares	0.01%

Notes:

1. Offer was made on 10 January 2007 pursuant to the Company's share option scheme adopted on 9 November 2005.
2. Based on the issued and paid up share capital of the Company as at LPD.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which

they were taken or deemed to have under such provisions of the SFO), or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Substantial shareholders of the Group

As at Latest Practicable Date, so far as the Directors are aware, each of the following persons, not being a Director or chief executive of the Company, had an interest in the Company's shares which falls to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO:

Name of shareholder	Nature of interest	Number of shares	Percentage of shareholding (direct or indirect)
PRG Corporation Limited	Beneficial	306,360,000	55.45%
LDHB	Corporate	306,360,000 (Note 2)	55.45%
Puan Sri Chan Chau Ha alias Chan Chow Har (Note 3)	Interest of spouse	306,360,000	55.45%
Lion Development (Penang) Sdn. Bhd.	Beneficial and corporate	306,360,000 (Note 4)	55.45%
Pangkor Investments (Cayman Islands) Limited	Beneficial	54,648,000	9.89%
Khazanah Nasional Berhad	Corporate	54,648,000 (Note 5)	9.89%
JP Morgan Chase & Co.	Beneficial and Corporate	46,408,400 (Note 6)	8.40%

Notes:

- All of the above are long positions.
- PRG Corporation Limited is a wholly-owned subsidiary of LDHB. By virtue of the SFO, LDHB is deemed to be interested in the Shares held by PRG Corporation Limited in the Company.
- Puan Sri Chan Chau Ha alias Chan Chow Har is the wife of Tan Sri Cheng Heng Jem and is deemed to be interested in 306,360,000 Shares which Tan Sri Cheng Heng Jem is deemed to be interested in for the purposes of the SFO.

4. Lion Development (Penang) Sdn. Bhd., directly and through a series of controlled companies, is entitled to exercise or control the exercise of more than one third of the voting power at general meetings of LDHB. Since LDHB is entitled to exercise or control the exercise of 100% of the voting power at general meetings of PRG Corporation Limited, by virtue of the SFO, Lion Development (Penang) Sdn. Bhd. is deemed to be interested in the Shares held by PRG Corporation Limited in the Company.
5. Pangkor Investments (Cayman Islands) Limited is a wholly-owned subsidiary of Khazanah Nasional Berhad. As such Khazanah Nasional Berhad is deemed to be interested in the 54,648,000 Shares held by Pangkor Investments (Cayman Islands) Limited for the purposes of the SFO.
6. The capacities of JP Morgan Chase & Co. in holding 46,408,000 shares were as to 41,202,500 shares as investment manager and as to 5,205,900 shares in the lending pool as custodian corporation/approved lending agent. The corporate interest of JP Morgan Chase & Co. was attributable on account through a number of its owned subsidiaries.

As at Latest Practicable Date, so far as the Directors are aware, each of the following persons, not being a Director or chief executive of the Company, was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of a member of the Group other than the Company:

Substantial Shareholder	Member of the Group	Percentage of equity interest held
Xinjiang Youhao ¹	Xinjiang Parkson	49%
Wuxi Distribution ²	Wuxi Parkson	40%
Yangzhou Commercial ³	Yangzhou Parkson	45%
Shaanxi Chang'an Information ⁴	Xi'an Chang'an Parkson	49%
Shaanxi Shuang Yi ⁵	Xi'an Shidai Parkson	49%
Sichuan Fulin ⁶	Mianyang Parkson	40%
Chongqing Wanyou ⁷	Chongqing Parkson	30%
Guizhou Shenqi Enterprise ⁸	Guizhou Parkson	40%
Creation (Hong Kong) ⁹	Anshan Parkson	49%
Shanghai Nine Sea Industry ¹⁰	Shanghai Lion Property	71% ¹¹
Shanghai Nine Sea Industry	Shanghai Nine Sea Parkson	29% ¹¹

Notes:

1. 新疆友好(集團)有限公司 (Xinjiang Friendship (Group) Co., Ltd.), owns 49% of the equity interest of Xinjiang Youhao Parkson Development Co., Ltd. ("Xinjiang Parkson").
2. 無錫市供銷合作總社 (Wuxi Distribution Corporation), owns 40% of the equity interest of Wuxi Sanyang Parkson Plaza Co., Ltd. ("Wuxi Parkson").
3. 揚州商業大廈 (Yangzhou Commercial Plaza), owns 45% of the equity interest of Yangzhou Parkson Plaza Co., Ltd. ("Yangzhou Parkson").
4. (i) 陝西長安信息置業投資有限公司 (Shaanxi Chang'an Information Property Investment Co., Ltd.) owns 49% of Xi'an Chang'an Parkson.

- (ii) 長安信息(產業)集團股份有限公司 (Chang'an Information (Property) Group Holding Company Limited), a PRC joint stock company, the shares of which are being listed on the Shanghai Stock Exchange owns 65.45% of the equity interest of Shaanxi Chang'an Information, representing a 32.07% indirect equity interest in Xi'an Chang'an Parkson.
5. 陝西雙翼石油化工有限責任公司 (Shaanxi Shuangyi Petroleum and Chemical Company Limited), acquired from Xi'an Xinrun Property Co., Ltd. ("Xian Xinrun") 西安新潤置業有限公司 49% of the equity interest in Xi'an Shidai Parkson Store Co., Ltd. ("Xi'an Shidai Parkson") on 4 September 2006.
6.
 - (i) 四川富臨實業集團有限公司 (Sichuan Fulin Industrial Group Co., Ltd.), owns 40% of the equity interest of Mianyang Fulin Parkson Plaza Co., Ltd. ("Mianyang Parkson").
 - (ii) 安治富 (An Zhifu) owns 51% of the equity interest in Sichuan Fulin, representing a 20.40% indirect equity interest in Mianyang Parkson.
7. 重慶萬友經濟發展有限責任公司 (Chongqing Wanyou Economic Development Co., Ltd.), owns 30% of the equity interest of Chongqing Wanyou Parkson Plaza Co., Ltd. ("Chongqing Parkson").
8.
 - (i) 貴州神奇實業有限公司 (Guizhou Shenqi Enterprise Co., Ltd.), owns 40% of the equity interest of Guizhou Shenqi Parkson Retail Development Co., Ltd. ("Guizhou Parkson").
 - (ii) 張沛 (Zhang Pei), 張之君 (Zhang Zhi Jun) and 張姪 (Zhang Ya) own 30%, 40% and 30% of the equity interest in Guizhou Shenqi Enterprise, respectively, representing a 12%, 16% and 12% indirect equity interest in Guizhou Parkson.
9. Creation (Hong Kong) owns 49% of the equity interest of Anshan Tianxing Parkson Shopping Centre Co., Ltd. ("Anshan Parkson"). Creation (Hong Kong) acquired the 49% of the equity interest of Anshan Parkson from 鞍山天興國際置業發展有限公司 (Anshan Tianxing International Properties Development Co., Ltd.).
10. 上海九海實業有限公司 (Shanghai Nine Sea Industry Co., Ltd.), where they distribute 65% of Shanghai Lion Property's profits.
11. Shanghai Lion Property and Shanghai Nine Sea Parkson are cooperative joint venture enterprises established under the laws of the PRC. The percentages are calculated based on the voting rights attributable to Shanghai Nine Sea Industry pursuant to the respective co-operative joint venture contracts. The percentages to distributable profits are different.

Mr. Cheng Yoong Choong and Mr. Chew Fook Seng are directors of PRG Corporation Limited, which is a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO. Save as disclosed in this circular and so far as the Directors are aware, as at the Latest Practicable Date, no other person had an interest or short position in the Company's shares or underlying shares (as the case may be) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was otherwise directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Group.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors and Directors of the Company's subsidiaries, or their respective associates had interests in businesses, other than being a director of the Company and/or its subsidiaries and their respective associates, which compete or are likely to compete, either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules, except for the interests held by Tan Sri Cheng Heng Jem in LDHB which owns 10 department stores in the PRC. These 10 department stores are managed by the Group.

DIRECTORS' INTEREST IN CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation)).

SERVICE CONTRACTS

Mr Cheng Yoong Choong and Mr Chew Fook Seng have each entered into a service contract with the Company on 9 November 2005 under which they agreed to act as Executive Directors for a term of three years. The appointment may be terminated before such expiry by not less than three months' written notice. Mr Cheng Yoong Choong will receive an annual Director's fee of approximately HK\$150,000 under the service contract. Mr Chew Fook Seng will receive an initial annual salary of RMB1,263,000 with bonus and incentive payment at the discretionary of the Board and an annual Director's fee of approximately HK\$150,000. Mr Chew Fook Seng will also be entitled to a discretionary bonus as may be decided by the remuneration committee. In the year 2006, Mr Chew's total remuneration was approximately RMB2.77 million.

Tan Sri Cheng Heng Jem has signed a letter of appointment dated 9 November 2005 under which he agreed to act as a non-executive Directors and will receive an annual Director's fee of approximately HK\$150,000.

Mr Studer Werner Josef and Mr Ko Tak Fai, Desmond have signed a letter of appointment dated 9 November 2005 with the Company under which they agreed to act as independent non-executive Directors for the period of one year and shall continue thereafter subject to a maximum of three years unless terminated in accordance with the terms of appointment letters. Mr Yau Ming Kim, Robert has signed a letter of appointment dated 27 December 2006, with the same terms as the other two independent non-executive Directors. The initial annual Director's fee for each independent non-executive Director is HK\$150,000.

DIRECTORS' INTERESTS IN THE ASSETS

None of the Directors have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leases to any member of the Group since 31 December 2006, the date to which the latest published audited financial statements of the Company were made up.

NO MATERIAL ADVERSE CHANGE

At as the Latest Practicable Date, none of the Directors was aware of any material adverse change in the financial or trading position of the Group since 31 December 2006 (being the date to which the latest published audited financial statements of the Group were made up).

EXPERT

- (a) The following sets out the qualification of the expert which has given its opinion or advice as contained in this Circular.

Name of Expert	Qualification
Access Capital Limited ("Access Capital")	licensed corporation to carry on types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO
Vigers Appraisal & Consulting Ltd. ("Vigers")	Chartered Professional Surveyors & Valuers

- (b) Both Access Capital and Vigers do not have any shareholdings, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) Both Access Capital and Vigers do not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leases to any member of the Group since 31 December 2006, the date to which the latest published audited financial statements of the Company were made up.
- (d) Both Access Capital and Vigers have given and have not withdrawn its written consent to the issue of this circular with the inclusion of their respective letter and reports and references to their respective name in the form and context in which they are included.
- (e) The letter, recommendation and report given by Access Capital and Vigers are given as of the date of this circular for incorporation herein.

LITIGATION

No member of the Group is at present engaged in any litigation or arbitration of material importance to the Group and no litigation or claim of material importance to the Group is known to the Directors or the Company to be pending or threatened by or against any member of the Group.

MISCELLANEOUS

- (a) The English text of this circular shall prevail over the Chinese text.
- (b) The registered office of the Company is situated at c/o M&C Corporate Services Limited, P.O. Box 309GT, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands.
- (c) The head office and principal place of business of the Company is situated at 9th Floor, Parkson Plaza, No.101 Fuxingmennei Avenue, Xicheng District, Beijing 100031, PRC.
- (d) The principal place of business of the Company in Hong Kong is situated at Suite 1316, Prince's Building, 10 Chater Road, Central, Hong Kong.
- (e) The Hong Kong share registrar and transfer office of the Company is Tricor Investor Services Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (f) The secretary of the Company is Ms. Seng Sze Ka Mee, Natalia, who is a Fellow of The Institute of Chartered Secretaries and Administrators (FCIS), The Hong Kong Institute of Chartered Secretaries (FCS), and The Hong Kong Institute of Directors (FHKIoD).
- (g) The qualified accountant of the Company is Mr. Wong Kang Yean Clarence, who is a registered member of the Association of Chartered Certified Accountants and a chartered accountant with the Malaysian Institute of Accountants.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business in Hong Kong of the Company at Suite 1316, Prince's Building, 10 Chater Road, Hong Kong during normal business hours from the date of this circular up to and including 30 May 2007.

- (a) the Sale and Purchase Agreement;
- (b) the Share Mortgage Documents;
- (c) the service contracts and letters of appointment referred to in the section headed "Service Contracts";
- (d) the memorandum and articles of association of the Company;
- (e) the letter from the Independent Board Committee, the text of which is set out on page 16 of this circular;
- (f) the letter from Access Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on page 17 to 28 of this circular; and
- (g) the written approval of PRG Corporation Limited dated 20 April, 2007 approving the Acquisitions.